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11 as Trustee of SORENSEN RESEARCH AND
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13 UNITED STATES DISTRICT COURT
14 FOR THE NORTHERN DISTRICT OF CALIFORNIA
15 SAN JOSE DIVISION

16 JENS ERIK SORENSEN, as Trustee of
17 SORENSEN RESEARCH AND
18 DEVELOPMENT TRUST,

19 Plaintiff,

20 v.

21 LEXAR MEDIA, INC., a Delaware
22 Corporation; and DOES 1 – 100,

23 Defendants.

) Case No. 08-CV-0095 JW RS

)

) **PLAINTIFF'S OPPOSITION TO**
) **MOTION FOR STAY PENDING**
) **REEXAMINATION**

)

) Date: May 5, 2008

) Time: 9:00 A.M.

) Courtroom 8, 4th Floor

) Judge: The Hon. James Ware

)

) *Oral Argument is Respectfully Requested*
) *at Hearing on This Matter*

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SUMMARY OF OPPOSITION

The Court should deny Defendant Lexar Media, Inc's ("Lexar") Motion for Stay on the grounds of a pending patent reexamination because (1) such a stay would most likely extend for approximately five years, creating a substantial likelihood of prejudice to Plaintiff Sorensen Research and Development Trust ("SRDT"); (2) SRDT would be prejudiced through inability to identify and name necessary defendants and preserve evidence; and (3) Defendant's counterclaim for declaratory judgment creates estoppel against Defendant's request for delay.

Lexar's Motion for Stay (Docket # 12) is a boilerplate request for stay based on two reexaminations of the '184 patent filed by defendants in *Sorensen v. The Black & Decker Corporation, et al.*, Case No. 06CV1572 in the Southern District of California ("Black & Decker case") and an order for stay issued in that case.

Since the issuance of stay in the Black & Decker case, SRDT has learned that the approximate duration of patent reexaminations has dramatically increased in the past few years from an average of 19-24 months (the span argued by Lexar to the Court) to a typical time period closer to five years than to the two years relied upon by Lexar.

In light of this new data, a litigation stay pending reexamination is inappropriate because it would completely undermine the entire original purpose of the reexamination process – to allow a prompt forum for review of the validity of a patent. It also undermines the intent and purpose of the Local Patent Rules for streamlined patent litigation.

FACTUAL SUMMARY

SRDT and Defendant exchanged communications regarding the patent infringement allegations that form the basis of this action beginning on April 16, 2005, very shortly after SRDT first learned that Lexar products appeared to infringe U.S. Patent No. 4,935,184 ("the '184 patent"). The parties continued communicating

1 with regard to their differences for more than two years, but amicable negotiations
2 failed to resolve the dispute. After the parties were unable to achieve resolution
3 without litigation, this action for patent infringement was filed January 7, 2008.
4 Lexar filed an Answer and Counterclaim for declaratory relief on March 12th,
5 followed by the filing on March 13th of the pending Motion for Stay.

6 Status of '184 Patent Reexaminations. In the Black & Decker case, patent
7 infringement defendant Black & Decker filed an Ex Parte Request for
8 Reexamination of the subject '184 patent with the United States Patent and
9 Trademark Office ("PTO") in July 2007 ("1st reexamination") and, on that basis,
10 obtained an order staying the Black & Decker case, ("Black & Decker Order"),
11 which issued on September 10, 2007. Now, nine months after the filing of the
12 reexamination request, the first office action for the 1st reexamination has not yet
13 issued, despite SRDT's attempts to shorten the reexamination process by declining to
14 file an optional patent owner's statement, to shave approximately two months from
15 the reexamination process. *Kramer Decl.* ¶ 4.

16 Co-defendants in the Black & Decker case - Phillips Plastics and Hi-Tech
17 Plastics – waited until December 21, 2007 to file a second third-party reexamination
18 request ("2nd reexamination"), which the PTO has recently accepted. *Kramer Decl.* ¶
19 5. The 2nd reexamination was filed very shortly after expiration of the deadline for
20 filing of a patent owner's statement, when it became clear that Black & Decker
21 would not have a second opportunity to brief the 1st reexamination.

22 The stay of the Black & Decker lawsuit was based upon the Court's belief that
23 the average length of reexaminations was then 18-23 months (see Docket #243, p.
24 7:19-21 in the Black & Decker case).

25 Beginning in February 2008, informal information obtained from the law firm
26 representing Phillips Plastics and Hi-Tech, and a well-publicized patent being
27 enforced by a client of Black & Decker's counsel, led to the conduct of a closer
28 analysis of PTO reexamination data.

That closer analysis shows that the 19-24 month period¹ most recently cited by Lexar and the PTO as typical for reexamination completion is an average of all reexaminations filed in the 28 years since 1981. When one eliminates the older data and conducts the analysis only on reexamination filings in more recent years, it becomes apparent that the phenomenal growth in reexamination filings since 2002 vastly exceeds the PTO's current pace for processing reexaminations. As a natural consequence, the backlog of pending reexaminations has grown to approximately a five-year supply and application growth continues to outpace all efforts by the PTO to accommodate the increased workload. This data leads to the conclusion that the current, average timeframe for completion of a reexamination filed after 2006 is approximately five years and continuing to grow. *Kramer Decl.* ¶ 6.

ARGUMENT

"A court is under no obligation to delay its own proceedings by yielding to ongoing PTO patent reexaminations, regardless of their relevancy to infringement claims which the court must analyze. [cites omitted]" *Fresenius Medical Care Holdings, Inc. v. Baxter International, Inc.* 2007 WL 1655625 (N.D. Cal. 2007).

"There is no *per se* rule that patent cases should be stayed pending reexaminations, because such a rule '**would invite parties to unilaterally derail litigation.**'" *Soverain Software LLC v. Amazon.Com, Inc.* 356 F.Supp.2d 660, 662 (E.D.Tex.2005), quoted in *Fresenius, supra*.

Lexar seeks to derail this litigation by arguing *per se* entitlement to a stay based upon the existence of reexamination proceedings and the *Black & Decker* stay. That argument fails because updated information regarding the average duration of

¹ Lexar's 19-24 month average comes from a December 2007 quarterly PTO report. In the *Black & Decker* case, the Court relied upon the June 2006 version of the same report. Even the PTO's averages since 1981 have shown a marked increase even within that brief intervening time period.

1 reexaminations challenges the assumptions under which that stay was issued and the
2 underlying rationale for the issuance of stays pending completion patent
3 reexaminations.

4
5 I. LEXAR'S REQUEST FOR STAY SHOULD BE DENIED AS THE FACTS
6 ARE DISTINGUISHABLE FROM THE *BLACK & DECKER* CASE.

7 The court is not required to stay judicial resolution of a patent case in view of
8 reexaminations. Whether to stay is entirely within the discretion of the Court.
9 *Viskase Corp. v. American Nat. Can Co.*, 261 F.3d 1316, 1328 (Fed. Cir. 2001).

10 A court must weigh the parties competing interests **as presented by the**
11 **specific facts of the case at bar.** *Jain v. Trimas Corp.*, 2005 WL 2397041, at *1
(E.D. Cal. Sept. 27, 2005) (emphasis added).

12 This motion is materially different from the Black & Decker situation in at
13 least three key respects: (1) the Court now has more accurate information regarding
14 the expected duration of reexamination proceedings; (2) there was no extensive delay
15 between initial contact by the Plaintiff and filing of this suit; and (3) Lexar herein
16 filed a counterclaim; the Black & Decker defendants did not.

17 A stay that will extend to approximately five years, far longer than the parties'
18 awareness of a dispute, is excessive. Lexar's counterclaim for declaratory relief has
19 the purpose of providing the allegedly infringing party with relief from delay in
20 resolution. Lexar's counterclaim alleges that: "an actual and justiciable controversy
21 of sufficient immediacy exists." Lexar's assertion that the controversy is "of
22 sufficient immediacy" is a request for judicial resolution incompatible with its
23 request for entry of a stay that will likely extend for approximately five years.

24
25 II. PLAINTIFF WOULD BE UNDULY PREJUDICED AND TACTICALLY
26 DISADVANTAGED BY A STAY.

27 A new analysis based on PTO statistical data shows that the likely duration of
28 a recent *ex parte* reexamination proceeding is approximately five years, not just the

1 two years that the PTO publishes is the average over the last 28 years. Such a
2 lengthy stay undermines the congressional intent for implementation of the
3 reexamination process, and also undermines the Local Patent Rules. Furthermore,
4 this extensive delay would prejudice the Plaintiff through inability to identify and
5 serve all appropriate defendants and inability to locate and preserve necessary
6 evidence and record witness testimony.

7 Thus, Plaintiff would be unduly prejudiced and subjected to a clear tactical
8 disadvantage by a complete stay of this case pending completion of two *ex parte*
9 reexamination proceedings before the PTO.

10
11 A. Ex Parte Reexaminations Can Be Expected to Extend for Five Years or
12 More, Rather than 19-24 Months.

13 Defendant's Motion for Stay relies on this Court's order to stay the related
14 '184 patent infringement case against Black & Decker. The Black & Decker Order
15 was based on statistical data from the PTO's office that has since been shown to be
16 obsolete. The flaw in the PTO's published reports arises from inclusion of all
17 completed reexaminations filed since 1981 and exclusion of the statistical impact of
18 reexaminations that are not yet completed. This approach creates a systemic bias as
19 the weight of early results in the average, coming from a time when there were far
20 fewer reexamination requests and the PTO was able to process them quickly,
21 conceals the impact of the great increase in pendency delay that has occurred in the
22 past five years.

23 The closer look at PTO data that is explained herein was prompted by
24 information obtained directly from or related to counsel for the Black & Decker
25 defendants. The February 2008 issue of the San Diego Intellectual Property Lawyers
26 Association ("SDIPLA") contained a reference to a newsletter from Hal Wegner,
27 partner at Foley & Lardner, the law firm representing Black & Decker case
28 defendants Phillips Plastics and Hi-Tech Plastics.

1 The 1/5/08 email states that today the average ex parte reexamination
 2 takes about 5 years (vs. the PTO's claim that it takes 2 years). If an
 3 appeal to the CAFC is involved, that extends the period to 7.7 years.

4 The fact of lengthy reexaminations is also well known to the Niro Scavone
 5 firm that represents Black & Decker. The oft-reported U.S. Patent No. 5,253,341
 6 "JPEG patent," owned by a client of Niro Scavone, emerged from a seven-year
 7 reexamination just days prior to the filing of Black & Decker's reexamination
 8 request of the '184 patent. It appears that a new reexamination has just been allowed
 9 of that same JPEG patent. *Kramer Decl.* ¶ 14 and 15.

10
 11 *1. A closer look at PTO data shows the current length of*
 12 *reexamination proceedings to be far longer than 24 months.*

13 In the Black & Decker motion for stay, the moving parties pointed to a June
 14 2006 statistical report from the PTO that listed the average pendency of
 15 reexaminations as 22.8 months, and median pendency as 17.6 months² ("2006
 16 Report"). This was a material factor in the Court's decision to stay that case.³

17 In the present case, Lexar points to a more recent December 2007 PTO report
 18 of the same type as the 2006 Report (Exhibit F to the Lee Declaration) ("2007
 19 Report") that shows the average pendencies to have increased to 24.0 and 18.6
 20 months, respectively. Both of these reports are deceptive in that the averaging of all
 21 data for the past 28 years distorts the picture, by averaging out the huge increase in
 22 backlog that the PTO has experienced in recent years.

23 The 2007 Report is based upon averages over the entire course of the existence
 24 of reexamination proceedings since 1981 (see 2007 Report, paragraph 3). What it

25 ² See *Judicial Notice*, Docket #180, Exhibit B, from Black & Decker case.

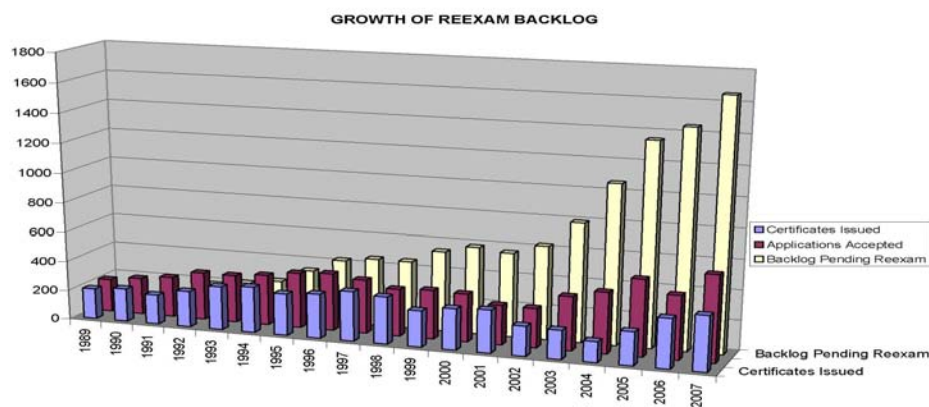
26 ³ See *Judicial Notice*, Docket #243, page 7:19-22, in the Black & Decker case: "An
 27 average delay for reexamination of approximately 18-23 months is especially
 28 inconsequential.... (See PTO Reexamination Statistics at Ex. B to Niro Decl.; Doc. #180-
 3.)"

1 does not show is the dramatic increase in filings vs. issuance of certificates (which
2 signal the end of the reexamination proceeding) in the past few years.

3 PTO Annual Reports contain statistics on the number of *ex parte*
4 reexamination filings, the number of those that are known to be related to litigation,
5 the number of *ex parte* reexaminations granted, and the total number of certificates
6 issued. The official PTO website contains annual reports back to 1993 which
7 contain this additional statistical data back to 1989. *Kramer Decl.* ¶ 7, Exhibit A.

8 By comparing the incoming reexamination filings to the outgoing certificates,
9 a pattern of dramatically increasing backlog appears. If one assumed a zero
10 carryover from 1988 into the 1989 figures for which records are available, the
11 backload of *ex parte* reexaminations has increased 100-fold from 1989 to the end of
12 2007 (from 16 to an estimated 1,658), with the rate of increase soaring from 2002 to
13 the present. *Kramer Decl.* ¶ 8, Exhibit B.

14 This increase is illustrated in the graph of PTO published numbers for new
15 reexamination requests and reexamination certificates issued for the years from 1989
16 through 2007 depicted below:



17
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19
20
21
22 (a larger version of this graph, the underlying spreadsheet, and the PTO annual
23 reports from which the spreadsheet numbers were derived is part of Exhibit B).
24
25
26
27
28

1 If the PTO were able to keep issuing certificates at the rate of the highest
2 number of reexamination certificates ever issued in a single year, 367, and have zero
3 new filings, it would still take approximately 4.5 years for the PTO to erase the
4 backload of *ex parte* reexaminations. *Kramer Decl.* ¶ 9. If the rate of certificate
5 issuances were at the average for the past five years (250), it would take 6.6 years to
6 erase that same backlog. *Kramer Decl.* ¶ 10.

7 The impact of this newly analyzed PTO data extends beyond the realization
8 that reexaminations are extending for longer and longer periods of time. Five-plus
9 year long reexaminations (1) undermine the legislative policy underlying creation of
10 the reexamination process in the first place; and (2) undermine this District's efforts
11 to streamline and expedite intellectual property cases through newly updated Local
12 Patent Rules; and (3) render older case law on the subject of litigation stays pending
13 reexamination inapposite.

14 2. *Five-plus year reexaminations undermine congressional intent*
15 *for use of the reexamination process.*

16 The express congressional intention was that reexamination should "provide a
17 useful and necessary alternative for challengers and patent owners to test the validity
18 of United States patents in an efficient and relatively inexpensive manner." H.R.
19 REP. No. 96-1307 pt. 1, at 4 (1980), *reprinted in* 1980 U.S.C.C.A.N. 6460-6463.

20 All reexamination proceedings under this section, including any appeal to the
21 Board of Patent Appeals and Interferences, are to be conducted with "special
22 dispatch." 35 U.S.C. § 305.

23 As demonstrated above, efficiency and "special dispatch" have not proven to
24 be accurate watchwords in recent years. To the contrary, the filing of reexaminations
25 has become an effective weapon to delay or stop patent infringement plaintiffs from
26 proceeding to enforce their patents. *Ex parte* reexamination practice is particularly
27 useful as a litigation tactic for accused infringers, who only incur a small up front
28 cost for filing the request, and have no further participation, expense or risk during

1 the proceeding. This is not only demonstrated by numerous articles recommending
2 this strategy to infringement defendants,⁴ but it is also demonstrated by the PTO's
3 own information, with litigation related *ex parte* reexamination filings soaring from a
4 mere 9% in 1990 to a whopping 57% in 2007. *Kramer Decl.* ¶ 11. In this case,
5 defendant Lexar has not even had to shoulder the time or expense of preparing any
6 arguments for patent invalidity; it is simply trying to ride the coattails of another
7 alleged infringer's work.

8 The PTO was already commenting on problems keeping pace with these
9 increased litigation related filings in 2004, even though the estimated backlog was
10 still less than 800 at the end of 2003. *Kramer Decl.* ¶ 12. In fact, the frequent use of
11 multiple reexamination requests by litigants to further delay of the litigation fueled a
12 PTO rule change in 2004 changing the standard of review for second or subsequent
13 reexamination requests.

14 These statistics are not a disparagement of the PTO's efforts. It is a
15 recognition that the recent increase in reexamination filings have overwhelmed the
16 staffing and capabilities of the PTO. The increase has made the statutory mandate of
17 "special dispatch" meaningless phrase.

18 The "Notice of Changes in Requirement" document (see *Kramer Decl.* ¶ 13,
19 Exhibit C) made the following statement in the Background section:

20
21 It has been the Office's experience, however, that both patent owners
22 and third party requesters have used a second or subsequent
23 reexamination request . . . to prolong the reexamination proceeding, and
24 in some instances, to turn it essentially into an *inter partes* proceeding.
25 These actions by patent owners and third party requesters have resulted
26 in multiple reexaminations taking years to conclude, thus making it
27 extremely difficult for the Office to conclude reexamination
28 proceedings with "special dispatch" as required by statute (35 U.S.C.
305 for *ex parte* reexamination, 35 U.S.C. 314 *inter partes*
reexamination).

⁴ See *Kramer Decl.* Exhibit D.

1 The PTO was having problems completing reexaminations with “special
2 dispatch” in 2004. The volume of increased filings demonstrate an even larger
3 problem now. Therefore, what was intended to be an efficient, timely process is now
4 an almost guaranteed strategy to delay patent litigation.

5 3. *Lengthy reexamination proceedings also undermine the intent of*
6 *the Local Patent Rules.*

7 In 2001, this Court adopted and implemented a set of Patent Local Rules with
8 the stated purposes of providing a predictable and uniform treatment for IP litigants
9 and to streamline the process by which a patent case is litigated, shortening the time
10 to trial or settlement and thereby reducing costs for all parties involved. Earlier this
11 year, this Court adopted improvements to the Patent Local Rules, taking what has
12 been learned, and making adjustments to better accomplish the goal of streamlining
13 the process. The Patent Local Rules set up a schedule whereby a claim construction
14 hearing is typically conducted within only a few months after the complaint is filed.

15 The intention of the Patent Local Rules cannot be met when an infringement
16 defendant can file an *ex parte* reexamination request and receive an almost automatic
17 multi-year exception from the timeline set out in the Local Rules, while incurring no
18 ongoing risk or expense during the pendency of the reexamination delay. While
19 district judges are working to streamline and expedite patent cases, the PTO’s
20 statutorily-required “special dispatch” procedure has been getting slower and slower.

21 The net effect in this case and the related ‘184 infringement cases is that two
22 carefully timed *ex parte* reexaminations have been relied upon to try to deny SRDT
23 the ability to enforce its valid patent.

24 4. *Caselaw supporting liberal grants of litigation stays pending the*
25 *completion of reexamination proceedings are inapposite.*

26 It is no surprise that so many *ex parte* reexamination requests are flooding the
27 PTO. These filings have become an oft-used weapon by patent infringement
28

1 defendants because, in the past, litigation stays were routinely granted pending
2 conclusion of reexamination. In 1990, the percentage of *ex parte* filings that were
3 known to be related to litigation was only nine percent (9%). By 2007, after a host
4 of publications had pushed reexamination as a litigation strategy for defendants, the
5 percentage had increased more than six-fold to 57%.

6 The Black & Decker Order was based on legal opinions that either predated
7 the recent dramatic increase in reexamination filings and consequent PTO backlog of
8 cases, or on opinions that relied on that same outdated factual scenario.

9 The issue in *Ethicon Inc. v. Quigg*, 849 F.2d 1422 (Fed.Cir. 1988), was
10 whether the PTO could stay a reexamination pending completion of a court case, not
11 the other way around. The *Ethicon* court cited *Gould v. Control Laser Corporation*,
12 705 F.2d 1340, 1342 (Fed.Cir. 1983), for the proposition that the court had authority
13 to order a stay pending conclusion of a PTO reexamination. What the *Gould*
14 decision actually said was that “power already resides with the Court to prevent
15 costly pretrial maneuvering which attempts to *circumvent* the reexamination
16 procedure.” (emphasis in original). Plaintiff has done nothing here or in related
17 cases trying to circumvent the reexamination procedure.

18 Lexar cited the “‘liberal policy’ in favor of granting motions to stay pending
19 the outcome of PTO reexamination proceedings” (Docket #12, page 5:1-3) came
20 from the 1994 case of *ASCII Corp. v. STD Entertainment USA, Inc.*, 844 F.Supp.
21 1378, 1381 (N.D. Cal. 1994). A close look at that decision reveals a statement by the
22 court that “it is clear from the cases cited by the parties that there is a liberal policy
23 of granting stays pending reexamination,” but does not directly cite to any particular
24 case. Furthermore, even if the Court had evaluated the approximate length of
25 reexamination proceedings in 1994 (there is no indication that it did), it would have
26 shown that the PTO was effectively handling its caseload, issuing approximately the
27 same number of certificates in each year as the number of new requests that were
28

1 being accepted. A liberal policy of granting motions to stay pending the outcome of
2 reexamination proceedings was fully appropriate in 1994. That is no longer the case.

3 None of the cases cited in the Black & Decker order considered the relative
4 length of time that the reexamination will take. In more recent cases, some Courts
5 have acknowledged the extended duration of reexamination proceedings and are
6 exercising their inherent authority to not stay proceedings pending reexaminations
7 that can take several years to complete.

8
9 A court is under no obligation to delay its own proceedings by yielding
10 to ongoing PTO patent reexaminations, regardless of their relevancy to
11 infringement claims which the court must analyze. *See id.* (“The
12 [district] court is not required to stay judicial resolution in view of the
13 [PTO] reexaminations.”); *see also Medichem, S.A. v. Rolabo, S.L.*, 353
14 F.3d 928, 936 (Fed.Cir.2003) (“[O]n remand, a stay of proceedings in
15 the district court pending the outcome of the parallel proceedings in the
16 PTO remains an option within the district court's discretion.”) (stated in
the context of reissue proceedings for interfering patents before the
Board of Patent Appeals and Interferences); *Patlex Corp. v.*
Mossinghoff, 758 F.2d 594, 602-03 (Fed.Cir.1985) (recognizing judicial
discretion in stay determinations for patent proceedings).

17 *NTP, Inc. v. Research in Motion, Ltd.*, 397 F.Supp.2d 785, 787 (E.D.Va.2005).
18 (2005).

19 The *NTP* court was adamant that it was not going to stay litigation based upon
20 the moving party's speculation that that patent would be invalidated shortly.

21
22 The likely duration and result of the PTO's reexamination proceedings
23 and any subsequent (and likely) appeals are in dispute. RIM, turning a
24 blind eye to the many steps that must still be taken before a final
25 determination can be issued by the PTO and confirmed, suggests that
26 the patents-in-suit will be invalidated in a matter of *months*. NTP, on the
27 other hand, insists on the likelihood of the opposite result and gives a
28 reality-based estimated time frame of *years*. Regardless of which party's
predictions this Court might adopt, any attempt at suggesting a likely
time frame and outcome of the PTO reexamination process is merely
speculation. This Court cannot and will not grant RIM the extraordinary

1 remedy of delaying these proceedings any further than they already
2 have been based on conjecture.

3 *Id.*

4 Following in the same trend, the case of *Blackboard, Inc. v. Desire2Learn,*
5 *Inc.* Civil Action No. 9:06-CV-155 (E.D. Texas, 2008), recently proceeded to
6 plaintiff's verdict despite *ex parte* and *inter partes* reexaminations that had been
7 ordered 13 months previous in which no office actions had been issued.

8 Other cases have reaffirmed that district courts are not obligated to issue stays,
9 including *MercExchange, L.L.C. v. eBay, Inc.*, 500 F.Supp.2d 556, 562, 83
10 U.S.P.Q.2d 1688 (E.D.Va. Jul 27, 2007).

11 Because the re-analyzed PTO data show that the 1st reexamination on the '184
12 patent is likely to not be complete for approximately five (5) years from its filing,
13 and because the 2nd reexamination has the potential to introduce additional delay in
14 the completion of reexamination proceedings, a stay pending reexamination by the
15 PTO should not be granted.

16 B. Plaintiff Would Be Prejudiced Through The Inability To Identify and
17 Serve All Proper Defendants.

18 Fed.R.Civ.P, Rule 15(c), places limitations on a party's ability to amend
19 pleadings to add or substitute parties, and places restrictions on when such
20 amendments relate back to the date of the initial filings. Inability to identify
21 responsible parties inhibits the ability to give those parties notice of the case, thereby
22 increases the chance that the later identified parties will claim prejudice. Further,
23 failure to identify parties increases the likelihood that parties unaware of the
24 litigation will destroy or dispose of critical evidence.

25 A complete stay of litigation before any preliminary steps are taken to identify
26 proper parties and ensure initial discovery or preservation of evidence greatly
27 prejudices the Plaintiff and prejudices the entire judicial process in this case.
28

1 C. Plaintiff Would Be Prejudiced Through The Loss Of Evidence.

2 The Federal Rules of Civil Procedure do not expressly impose a duty to
3 preserve evidence. Courts have construed the federal discovery rules, particularly
4 Rule 26, to imply a duty to preserve all evidence that may be relevant in a case. *See*
5 *Danis v. USN Communs, Inc.*, 2000 U.S. Dist. LEXIS 16900 at *4-5. “**The**
6 **obligation to preserve arises when the party has notice that the evidence is**
7 **relevant to litigation** -- most commonly when the suit has already been filed,
8 providing the party responsible for the destruction with express notice, but also on
9 occasion in other circumstances, as for example when a party should have known
10 that the evidence may be relevant to future litigation.” *Treppel v. Biovail Corp.*, 233
11 F.R.D. 363, 371 (2006).

12 If a complete stay is issued, there is no assurance that parties (whether parties
13 to the suit or otherwise) will have knowledge of any obligation to preserve evidence,
14 and in the case of third-party suppliers would actually have a disincentive to preserve
15 evidence.

16 A preservation order protects the producing party by clearly defining the
17 extent of its preservation obligations. *Id.* at 370. “In the absence of such an order,
18 that party runs the risk of future sanctions if discoverable information is lost because
19 [the party] has miscalculated.” *Id.* Further, “[preservation] orders are increasingly
20 routine in cases involving electronic evidence, such as e-mails and other forms of
21 electronic communication.” *Id.* at 370. Because the duty of preservation exists
22 without a court order, some courts are reluctant to grant motions to preserve
23 evidence. *See Madden v. Wyeth*, 2003 U.S. Dist. LEXIS 6427.

24 Plaintiff needs to have an opportunity to conduct at least preliminary
25 discovery to identify parties and request a detailed preservation order, otherwise it
26 will be subjected to substantial prejudice as a result of a stay.

27 Motions to stay pending patent reexamination have been denied where the
28 likely length of reexamination will serve to exacerbate the risk of lost evidence. In

1 *Telemac Corp. v. Teledigital, Inc.*, 450 F.Supp.2d 1107, 1111 (N.D.Cal. 2006). That
2 is very much the situation here.

3 III. DEFENDANT IS ESTOPPED FROM CLAIMING HARDSHIP
4 REQUIRING A STAY BY ITS COUNTERCLAIM FOR DECLARATORY
5 RELIEF.

6 In *IMAX Corp. v. In-Three, Inc.*, 385 F.Supp.2d 1030, 1032 (C.D. Cal. 2005),
7 the court denied a stay in part because both parties claimed in their motions for
8 preliminary injunction that they would be irreparably damaged absent immediate
9 action from the court. Although the court denied both preliminary injunction
10 motions, it accepted both parties' representations that they will be prejudiced by
11 further delays. "A swift resolution of the issues, according to both parties, is in the
12 best interest of all involved."

13 "The suppliant for a stay must make out a clear case of hardship or inequity in
14 being required to go forward, if there is even a fair possibility that the stay for which
15 he prays will work damage to someone else." *Id.* (quoting *Unidisco v. Schattner*,
16 210 U.S.P.Q. 622, 629 (D.Md.1981) (citing *Landis v. North Am. Co.*, 299 U.S. 248,
17 255, 57 S.Ct. 163, 81 L.Ed. 153 (1936)).

18 Defendant has asserted in its responsive pleading a counterclaim under the
19 Declaratory Judgment at 28 USC §§ 2201 *et seq.* "[T]he purpose of the Declaratory
20 Judgment Act in patent cases is to provide the allegedly infringing party **relief from**
21 **uncertainty and delay** regarding its legal rights." *Sony Electronics, Inc. v. Guardian*
22 *Media Technologies, Ltd.* 497 F.3d 1271 (Fed.Cir. 2007) quoting *Goodyear Tire &*
23 *Rubber Co. v. Releasomers, Inc.*, 824 F.2d 953, 956 (Fed.Cir.1987) (emphasis
24 added).

25 Further, the *Sony* Court noted that the U.S. Supreme Court had stated in its
26 decision in *MedImmune, Inc. v. Genentech, Inc.*, --- U.S. ----, 127 S.Ct. 764, 771 166
27 L.Ed.2d 604 (2007) that the test of a declaratory judgment claim for relief is whether
28 "there is a substantial controversy, between parties having adverse legal interests, of

1 **sufficient immediacy** and reality to warrant the issuance of a declaratory judgment.”
2 *quoting Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 240-1, 57 S.Ct. 461, 81 L.Ed.
3 617 (1937) (emphasis added).

4 The allegations in Defendant’s counterclaim at paragraphs 6 and 8, rely upon
5 the Declaratory Judgment Act, and expressly assert that its legal rights are of
6 “sufficient immediacy” that it needs relief from delay regarding its legal rights.

7 Parties “are bound by admissions in their pleadings, and a party cannot create
8 a factual issue by subsequently filing a conflicting affidavit.” *Hughes v. Vanderbilt*
9 *University* 215 F.3d 543, 549 (6th Cir., 2000) *citing Reid v. Sears, Roebuck & Co.*,
10 790 F.2d 453, 460 (6th Cir.1986).

11 The Court in *American Title Ins. Co. v. Lacelaw Corp.*, 861 F.2d 224, 226 (9th,
12 Cir. 1988) stated: “Factual assertions in pleadings and pretrial orders, unless
13 amended, are considered judicial admissions conclusively binding on party who
14 made them.” The *American Title* Court further observed that: “Judicial admissions
15 are formal admissions in the pleadings which have the effect of withdrawing a fact
16 from issue and dispensing wholly with the need for proof of the fact.” *In re Fordson*
17 *Engineering Corp.*, 25 B.R. 506, 509 (Bankr.E.D.Mich.1982). Factual assertions in
18 pleadings and pretrial orders, unless amended, are considered judicial admissions
19 conclusively binding on the party who made them. *See White v. Arco/Polymers,*
20 *Inc.*, 720 F.2d 1391, 1396 (5th Cir.1983); *Fordson*, 25 B.R. at 509.

21 Further, the Court in *Soo Line R. Co. v. St. Louis Southwestern Ry.*, 125 F.3d
22 481, 483 (7th Cir. 1997) concluded: “although the rule smacks of legalism, judicial
23 efficiency demands that a party not be allowed to controvert what it has already
24 unequivocally told a court by the most formal and considered means possible.”

25 Defendant’s formal admission that its counterclaims are of “sufficient
26 immediacy” cannot be overcome by Defendant simply by filing a motion and
27 declaration asserting the opposite position. Defendant is held to its judicial
28

1 admission that it needs relief from delay regarding its legal rights – i.e., it does not
2 need a stay – and is estopped from arguing for a stay of the present litigation.

3 Because Defendant is barred by its judicial admissions from seeking a stay in
4 light of its declaratory relief counterclaims, Defendant’s request for stay must be
5 denied.

6 CONCLUSION

7 There is no *per se* rule that patent cases should be stayed pending
8 reexamination. The perception of such a rule has invited parties such as Defendant
9 to move for stay on the sole grounds that someone else’s reexamination request is
10 pending before the PTO.

11 A stay of all aspects of this case is not appropriate for reasons articulated
12 herein, including loss of evidence, failure to learn of key parties, and prejudice to
13 both Plaintiff and Defendant.

14 Plaintiff has now presented the Court will newly analyzed PTO data that
15 changes the entire factual framework in which the Black & Decker Court entered
16 stay. This warrants a new look and new balance of the equities involved in staying
17 this lawsuit.

18 Because the new data shows that a litigation stay pending reexamination
19 completely undermines the entire original purpose of the reexamination process, as
20 well as the Local Patent Rules, and would act to prejudice the Plaintiff in numerous
21 respects, the Court should deny the requested stay.

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1 RESPECTFULLY SUBMITTED this Wednesday, April 09, 2008.

2
3 JENS ERIK SORENSEN, as Trustee of
4 SORENSEN RESEARCH AND DEVELOPMENT
TRUST, Plaintiff

5 /s/ J. Michael Kaler

6
7 J. Michael Kaler, Esq.
8 Melody A. Kramer, Esq.
9 Attorneys for Plaintiff
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PROOF OF SERVICE

I, Melody A. Kramer, declare: I am and was at the time of this service working within in the County of San Diego, California. I am over the age of 18 year and not a party to the within action. My business address is the Kramer Law Office, Inc., 9930 Mesa Rim Road, Suite 1600, San Diego, California, 92121.

On Wednesday, April 09, 2008 I served the following documents:

PLAINTIFF'S OPPOSITION TO MOTION FOR STAY PENDING REEXAMINATION

**DECLARATION OF MELODY A. KRAMER IN SUPPORT OF PLAINTIFF'S
OPPOSITION TO MOTION FOR STAY PENDING REEXAMINATION**

**PLAINTIFF'S REQUEST FOR ORAL ARGUMENTS ON DEFENDANT LEXAR MEDIA,
INC.'S MOTION FOR STAY**

PERSON(S) SERVED	PARTY(IES) SERVED	METHOD OF SERVICE
Jared Bobrow jared.bobrow@weil.com Weil, Gotshal & Manges LLP 201 Redwood Shores Parkway Redwood Shores, CA 94065	Lexar Media, Inc.	Email--Pleadings Filed with the Court via CM/ECF

- ☐ (Personal Service) I caused to be personally served in a sealed envelope hand-delivered to the office of counsel during regular business hours.
- ☐ (Federal Express) I deposited or caused to be deposited today with Federal Express in a sealed envelope containing a true copy of the foregoing documents with fees fully prepaid addressed to the above noted addressee for overnight delivery.
- ☐ (Facsimile) I caused a true copy of the foregoing documents to be transmitted by facsimile machine to the above noted addressees. The facsimile transmissions were reported as complete and without error.
- ☐ (Email) I emailed a true copy of the foregoing documents to an email address represented to be the correct email address for the above noted addressee.

1 ☒ (Email--Pleadings Filed with the Court) Pursuant to Local Rules, I electronically filed
2 this document via the CM/ECF system for the United States District Court for the
Southern District of California.

3 ☐ (U.S. Mail) I mailed a true copy of the foregoing documents to a mail address
4 represented to be the correct mail address for the above noted addressee.

5 I declare that the foregoing is true and correct, and that this declaration was executed on
6 Wednesday, April 09, 2008, in San Diego, California.

7
8 /s/ Melody A. Kramer

9 _____
Melody A. Kramer